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And

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**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

In re:

**SEARS HOLDINGS CORPORATION, et.
al.,**

Debtors.

Chapter 11

Case No. 18-23538 (RDD)

Jointly Administered

**ORACLE’S RESERVATION OF RIGHTS REGARDING DEBTORS’ (I) NOTICE
OF ASSUMPTION AND ASSIGNMENT OF ADDITIONAL EXECUTORY
CONTRACTS AND (II) ASSUMPTION AND ASSIGNMENT NOTICES**

Oracle America, Inc., successor in interest to Peoplesoft, Inc., Maxymiser, Inc. Responsys, Inc. and Global Logistics Technologies, Inc. (“Oracle”), a creditor and contract counter-party in the above-captioned Chapter 11 cases, submits this reservation of rights (“Rights Reservation”) in response to the Notice of Assumption and Assignment of Additional Executory Contracts [CM-ECF D.E. 3761] (“May 8 Designation Notice”) and the Assumption and Assignment Notices¹ filed by the above-captioned debtors, Sears Holdings Corporation, *et al.* (“Debtors”).

¹ Capitalized terms used but not defined herein shall have the meanings ascribed to them by the Debtors in the May 8 Designation Notice.

I. INTRODUCTION

1. The Sale Order entered on February 8, 2019 [CM-ECF D.E. 2507] authorized the Debtors to sell substantially all of the Debtors' assets to Transform HoldCo LLC ("Transform").

2. The Sale Order also authorized Transform to designate certain contracts for assumption by the Debtors and assignment to Transform.

3. Accordingly, the Debtors have filed nine notices of executory contracts potentially subject to assumption and assignment and related cure amounts (i.e., the Assumption and Assignment Notices), from which Transform may designate the contracts which it seeks to have assumed and assigned to it by the Debtors.

4. Recently, the Debtors proposed a chapter 11 plan which provides for all executory contracts not previously assumed, or assumed and assigned, to be rejected by default upon confirmation of the plan.

5. Oracle is party to a number of agreements with the Debtors. Although several Oracle agreements were initially identified by the Debtors for assumption and assignment to Transform, the Assumption and Assignment Notices were subsequently amended to remove all but one Oracle agreement.²

6. The May 8 Designation Notice, however, identifies an agreement with an Oracle competitor, Rimini Street, Inc. ("Rimini"), for the provision of support for PeopleSoft, an Oracle licensed product. A jury in federal court in Nevada found Rimini liable for infringing 93 Oracle copyrights, including PeopleSoft copyrights, and that verdict was affirmed by the Ninth Circuit Court of Appeals.

² Until very recently, Oracle and Transform were in discussions regarding the potential assumption and assignment to Transform of G-Log, Essbase and OTM licenses and related support. As of the date of this Rights Reservation, Oracle understands that Transform does not wish to have those licenses assumed by the Debtors and assigned to Transform and that those licenses will instead be rejected by operation of the Debtors' plan.

7. Here, the Peoplesoft license is itself not identified in any of the Assumption and Assignment Notices. Thus, the Peoplesoft license agreement for which Rimini is providing the Debtors with support will be rejected by operation of the Debtors' proposed chapter 11 plan, and the Debtors' use of the software subject to the license would constitute copyright infringement.

8. Oracle submits this Rights Reservation to alert the Debtors and Transform to this matter, and to reserve all of its rights to challenge any use of its copyrighted software that is inconsistent with the underlying license grant, including unlicensed use.

II. FACTUAL BACKGROUND

9. The above captioned case was filed on October 15, 2018. An order approving joint administration was entered shortly thereafter. The Debtors continue to operate their businesses as debtors in possession pursuant to Bankruptcy Code sections 1107(a) and 1108.

10. On November 1, 2018, the Debtors filed the Sale Motion seeking Court authority to sell the Debtors retail stores and related assets as a going concern or, alternatively, on a liquidation basis.

11. The initial assumption notice filed by the Debtors on January 18, 2019 (CM-ECF D.E. 1731) identified a number of agreements between the Debtors and Oracle and one agreement with Rimini, as follows:

Counter Party/Counterparties	Contract Type and Description	Contract Executed Date	Contract Expiration Date	Contract Number	Cure Amount
Oracle America, Inc. – 402651	SYW – Oracle – OD for Email Marketing – 2018	7/9/2018	7/8/2020	CW2339264	2,149,380.00
Oracle America, Inc. – 402651	MKTG – Home Services – Oracle-Maxymiser – 2018	9/8/2018	9/7/2019	CW2340060	\$0.00
Oracle America,	SYW – Oracle – MSA	3/25/201	3/24/202	CW2311	\$0.00

Inc. – 402651.	– 2016	6	1	500	
Oracle America, Inc. – 402651	HS-Oracle - OD for HS Email Services – 2018	6/1/2018	5/31/2018	CW2339405	\$0.00
Oracle America, Inc. – 402651	SYW – Oracle – OD - 2018	6/1/2018	5/31/2020	CW2339388	\$0.00
Oracle America, Inc.	IT OPS – Oracle USA Inc – MSSA-2005	12/23/2005	12/23/2020	SHCLC W 1600	\$0.00
Oracle America, Inc.	ITG – Oracle Amendment 2 to MSA-2005	12/24/2015	12/23/2020	CW2309081	\$0.00
Oracle America, Inc.	IT – Oracle – Cloud Services Agreement – 20160531	5/31/2016	5/30/2021	CW2318109	\$0.00
Oracle		9/8/2018	9/7/2019	CW2340060	\$0.00
Oracle America, Inc.		9/8/2018	9/7/2019	CW2340060	\$0.00
Oracle America	Oracle BI/Fusion 2018 Annual Maintenance	n/a	n/a		\$0.00
Oracle America	Oracle G-Log GC3 Bundle 2018 Annual Renewal	n/a	n/a		\$0.00
Oracle America	Oracle Weblogic OTM Renewal 2018	n/a	n/a		\$0.00
Oracle America	Oracle Weblogic 12K Renewal 2018	n/a	n/a		\$0.00
Rimini Street	IT-Rimini Street – Statement of Work 01 (Peoplesoft Support Services (2016)	9/30/2016	9/29/2019	CW2319307	\$0.00

12. On January 23, 2019 (CM-ECF D.E. 1774) the Debtors identified one additional agreement between the Debtors and Oracle:

Counter Party/Counterparties	Contract Type and Description	Contract Executed Date	Contract Expiration Date	Contract Number	Cure Amount
Oracle America, Inc. – 402651	SYW – Oracle – OD FOR DELIVERABILITY - 2018		5/31/2020	CW2335726	\$0.00

13. On February 7, 2019 (CM-ECF D.E. 2452) the Debtors removed all Oracle agreements from the Assumption and Assignment Notices, and also removed the Rimini support agreement.

14. On February 8, 2019, the Sale Order was entered and the sale to Transform closed on February 11, 2019.³

15. The time for the Debtors to designate contracts for assumption and assignment to Transform ended on May 13, 2019. (CM-ECF D.E. 3171).

16. On March 29, 2019, the Debtors filed an Assumption and Assignment Notice (CM-ECF D.E. 2996), which identified one Oracle agreement:

Debtor Counterparty	Counterparty Name	Contract Title	Contract Expiration Date	Cure Amount
Sears Holding Management Corporation	Oracle USA, Inc.	MySQL Ordering Document Under Master Services and Software Agreement SLSA-19970-23-Dec-2005	9/28/19	\$0.00

³ The Sale Order provides that:

No provision of this Sale Order, the Sale Motion, or the Asset Purchase Agreement shall authorize the Debtors or the Buyer as applicable to use any software or other intellectual property (the "Proprietary Information") owned by or licensed from, or any software-related services provided by, SAP Industries, Inc. and its affiliates SAP America, Inc. and Concur Technologies, Inc. (collectively, "SAP") and Oracle America, Inc. including its partner Rimini Street (collectively, "Oracle"), to the benefit of any other party under any Services Agreement or otherwise to the extent prohibited by the contracts governing such Proprietary Information or software-related services.

No provision of this Sale Order, the Sale Motion, or the Asset Purchase Agreement shall authorize the Debtors or the Buyer as applicable to transfer or sell any Proprietary Information to the Buyer licensed from SAP, Oracle, Microsoft Corporation and its wholly-owned affiliates, Microsoft Licensing, GP, and Microsoft Online, Inc. (collectively, "Microsoft"), LinkedIn Corporation, as applicable, absent the consent of SAP, Oracle, Microsoft, or LinkedIn Corporation, as applicable, to the extent such consent is required under the applicable agreement and such provision is enforceable under applicable law.

Sale Order ¶¶ 68 & 69.

17. On May 16, 2019 the Debtors filed their Amended Joint Chapter 11 Plan of Sears Holding Corporation and Its Affiliated Debtors [Dkt. No. 3894] (“Plan”).

18. Article 9.1 of the Plan provides that all executory contracts not previously assumed, or assumed and assigned will be rejected upon confirmation of the Plan.

19. On May 8, 2019, the Debtors filed the May 8 Designation Notice, which identifies an agreement with Rimini as follows:

Counter Party/Counterparties	Contract Type and Description	Contract Executed Date	Contract Expiration Date	Contract Number	Cure Amount
Rimini Street	IT-Rimini Street – Statement of Work 01 (Peoplesoft Support Services (2016)	9/30/2016	9/29/2019	CW2319 307	\$0.00

20. The May 8 Designation Notice does not separately identify the underlying Peoplesoft license to be supported, nor, to Oracle’s knowledge, do any of the Assumption and Assignment Notices.

III. ARGUMENT

A. The Debtors Have Not Designated The Peoplesoft License To Be Assumed And Assigned And Therefore It Will Be Rejected Through The Plan.

21. Software support presupposes the existence of an underlying licensed software product to be “supported” through updates and other services.

22. In other words, use of a support contract suggests strongly that the underlying license is being used.

23. Here, the Debtors have designated Rimini support for the Peoplesoft license for assumption and assignment, but not the Peoplesoft license itself.

24. Debtors’ proposal is impermissible because if Debtors are receiving support services from Rimini for PeopleSoft software, then the Debtors necessarily will be using that

software even though they have not assumed the PeopleSoft licenses. *See, e.g., In re Interstate Bakeries Corporation*, 751 F.3d 955, 963 (8th Cir. 2014); *In re Buffets Holdings*, 387 B.R. 115 (Bankr. D. Del. 2008). The use of unlicensed PeopleSoft software is copyright infringement, and the selection of Rimini as a support provider creates grave concerns regarding Debtors' failure to respect Oracle's intellectual property rights, as Rimini is an adjudicated serial infringer of Oracle.

25. As of the date of this Rights Reservation, the only Oracle agreement that Debtors have designated for assumption by the Debtors and assignment to Transform is an Ordering Document related to a MySQL license agreement and its related support.

26. The time for the Debtors to designate contracts for assumption and assignment has expired. Therefore, it appears that the Peoplesoft contract will be rejected through the Plan.

B. The Debtors May Not Assume And Assign Oracle Agreements Absent Oracle's Consent.

27. Section 365(c) of the Bankruptcy Code provides, in relevant part:

The trustee may not assume or assign any executory contract ... of the debtor ... if (1)(A) applicable law excuses a party, other than the debtor, to such contract or lease from accepting performance from or rendering performance to an entity other than the debtor ..., whether or not such contract or lease prohibits or restricts assignment of rights or delegation of duties; and (B) such party does not consent to such assumption or assignment.

28. Federal law makes non-exclusive copyright licenses non-assignable absent consent of the licensor. *See In re Catapult Entertainment, Inc.*, 165 F.3d 747 (9th Cir. 1999), *cert. dismissed*, 528 U.S. 924 (1999) (patent law renders non-exclusive patent licenses personal and non-assignable under Bankruptcy Code § 365(c)(1)); *see also In re Trump Entm't Resorts, Inc.*, 526 B.R. 116, 126 (Bankr. D. Del. 2015) ("Non-exclusive patent and copyright licenses

create only personal and not property rights in the licensed intellectual property and so are not assignable.”).

29. Oracle’s agreements are, or pertain to, non-exclusive licenses of copyrighted software.

30. Therefore, pursuant to Bankruptcy Code section 365, if the Debtors wish to assume and assign any Oracle agreement, including the Peoplesoft license agreement, they may only do so with Oracle’s consent.

C. Prior to Assumption and Assignment The Debtors Must Pay all Required Cure Amounts.

31. Before assuming and assigning any executory contract, the Debtors must cure (or provide adequate assurance of a prompt cure of) any default under the subject contracts. 11 U.S.C. § 365(b)(1).

32. The Debtors have not identified an underlying Oracle Peoplesoft license agreement to be assumed and assigned and have not identified any corresponding cure amount.

33. In the event that the Debtors identify the Peoplesoft license agreement, or any other Oracle agreement, for assumption or assumption and assignment, Oracle reserves its right to be heard further regarding the correct cure amount

IV. CONCLUSION

34. For the reasons set forth above, Oracle reserves its right to be heard on all issues set forth herein.

Dated: May 16, 2019
Lake Success, New York

Respectfully submitted,

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